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Mexico Announces Corn Flour Support Program

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Policy and Program Announcements

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Report Highlights:

On May 20, 2009, Mexico's Secretariat of Economy (SE) announced the operational guidelines by which SE will provide economic support to the corn flour industry through the program named PROHARINA. The objective of PROHARINA is to promote national economic development by granting temporary subsidies for projects to maintain production in the industrial corn-flour sector.

Executive Summary:

On May 20, 2009, Mexico's Secretariat of Economy (SE) announced the operational guidelines establishing the mechanism by which SE will provide economic support to the corn flour industry through the program named PROHARINA, from May 21 to December 15, 2009. According to the announcement, the general objective of PROHARINA is to promote national economic development by granting temporary subsidies for projects to maintain production in the industrial corn-flour sector.

General Information:

Introduction: This report summarizes the operational criteria for the Support Program for the Corn Flour Industry published in Mexico's *Diario Oficial* (Federal Register) on May 20, 2009.

Disclaimer: This summary is based on a *cursory* review of the subject announcements and therefore should not, under any circumstances, be viewed as a definitive reading of the regulations in question, or of its implications for U.S. agricultural export trade interests. In the event of discrepancies between this summary and the complete regulation or announcement as published in Spanish, the latter shall prevail.

Title of the Announcement: "Agreement that Defines the Criteria for the Operation of the Program to Support the Corn Flour Industry (PROHARINA), under the Guidance of the Program for Promoting the Competitiveness of Industries (PROIND)".

Type of Regulation: Operational

Important Dates:

- 1. **Publication Date:** May 20, 2009
- 2. **Effective Date:** May 21, 2009

Eligible Commodities: Corn-flour to make tortillas

Reason for Program:

According to this announcement, PROHARINA is part of the Program for Promoting the Competitiveness of Industries (PROIND), which is an institutional strategy of the Government of Mexico (GOM) to promote the competitiveness of various industrial sectors. Specifically, SE pointed to the following factors in its decision to implement the PROHARINA program.

- The corn flour industry has a significant impact on development of a vital commodity for Mexican families.
- As a result of the peso's exchange rate volatility, inputs for the production of corn-flour have impacted production costs of tortillas.
- Before this scenario, there has been pressure on Mexico to increase the prices of different products in the basic basket, such as tortillas, which significantly affect the spending patterns of Mexican families, especially those with lower incomes.
- The GOM has undertaken various measures to ensure the tortilla supply to the Mexican population. Therefore it is necessary to continue implementing measures that help to maintain this trend.
- PROHARINA is part of a strategy designed to boost the competitiveness of the industrial corn flour sector in this fiscal year.

Program Objectives:

According to the announcement the main objectives of the program are to maintain production of

the corn-flour industry for the manufacture of corn tortillas and mitigate the impact of increased prices of raw materials.

Program Features:

In order to achieve the general objectives of PROMASA program, SE will provide support to up to 196,485 metric tons (MMT) of corn flour per month.

The support per kilogram of corn-flour for tortillas will be determined as follows:

Support per kilogram = (\$ 6.465 pesos - Selling price of a kg of corn flour) *

* Up to a maximum of the invoice price of \$ 5.875 pesos per kilogram and a minimum of \$ 5.000 pesos per kilogram of corn flour to produce tortillas. Any price below the minimum will be considered a sales price of \$ 5.000 per kilogram (exchange rate: U.S.\$1.00 = 13.20 pesos)

The Program will be in place until December 15, 2009, subject to available budget established by the Secretariat of Finance (SHCP). The announcement indicates that SE will release on its website when resources have been exhausted.

The published operational guidelines further state additional aspects of the program such as eligibility criteria and the requirements for intermediate producers. In addition, it states the application requirements, support amounts, goals and impacts, categories and subcategories of supports, the approval process of applications, performance indicators, and the delivery of monetary resources.

The “target population” of this program is defined as individuals with business or corporate entities from the corn flour industry whose goals are the development of industrial corn-flour sector.

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FAS Mexico Web Site: We are available at <http://www.mexico-usda.com> or visit the FAS home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

Useful Mexican Web Sites:

Mexico's equivalent of the Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx and Mexico's equivalent of the Department of Commerce (SE) can be found at www.se.gob.mx. These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.